



Photo by Rachael Rinchitsuo
Kearney, Chicago

India: the next luxury hotspot?

Thanks to economic liberalization and a more open trading environment, India is seeing rising affluence and a desire for more luxury goods—giving brands a unique opportunity to capitalize on the country’s growth.

Renowned for its diamonds, fine textiles, and perfumes, India has a rich history in luxury. However, relatively slow economic growth compared with other emerging nations, protectionist policies, and widespread poverty kept the country isolated from global luxury trends for many years. Following economic liberalization in 1992, India’s growth story has experienced consistent growth and rapidly changing circumstances that have positioned the country as a significant growth market for luxury brands.

Powerful growth drivers

Since the 1990s, economic liberalization and a more open trading environment have led to rising affluence and a growing desire for modern luxury goods. Three trends are powering the Indian luxury market:

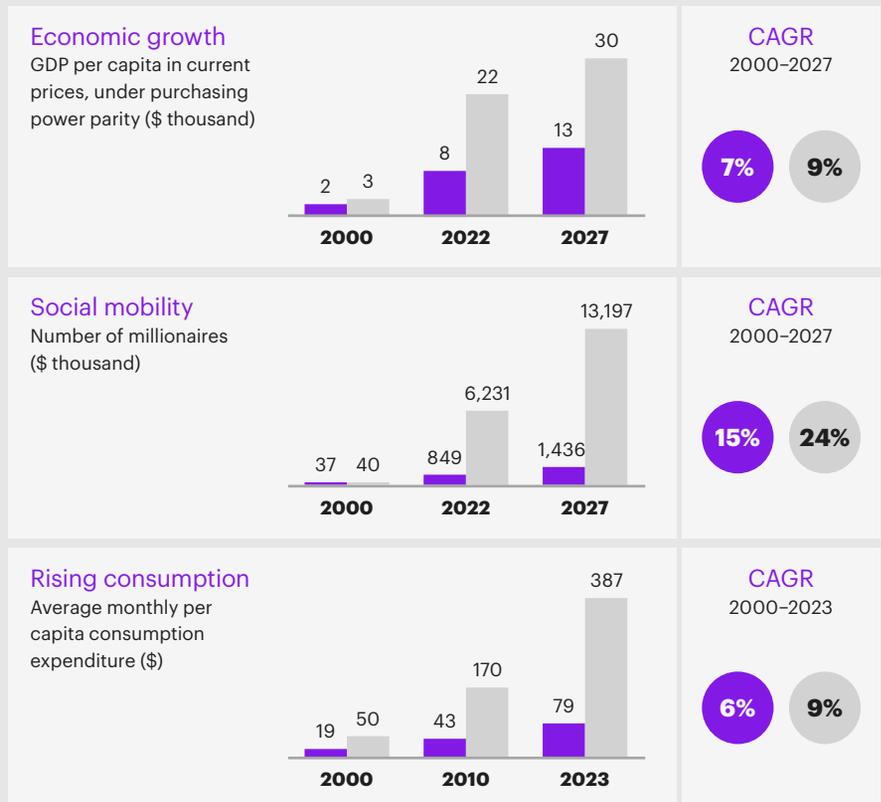
Economic growth. Between 2022 and 2027, India’s GDP is predicted to grow at a CAGR of 8 percent, promising increased purchasing power. By comparison, China’s GDP is leveling out at 6 percent.

Social mobility. Economic growth is affecting income levels and social classifications. India’s number of USD millionaires has been growing steadily. By 2027, the country is forecasted to be home to almost 1.5 million USD millionaires (see figure 1). At 15 percent compound annual growth, this is lower than China’s 24 percent over the same period of time. Nonetheless, this finding strengthens the promise of a growing base of luxury consumers.

Rising consumption. Over the past 20 years, average monthly per capita consumption expenditure in urban India has grown at an annual rate of 6 percent, close to China’s 9 percent. Moreover, India’s lower cost of living compared with Western countries means that discretionary spending starts at lower income levels.

Figure 1
Economic growth is transforming the consumer landscape in India

● India
● China



Sources: Census of India, National Bureau of Statistics of China, UBS Global Wealth Report, World Bank; Kearney analysis

Luxury spending is set to accelerate

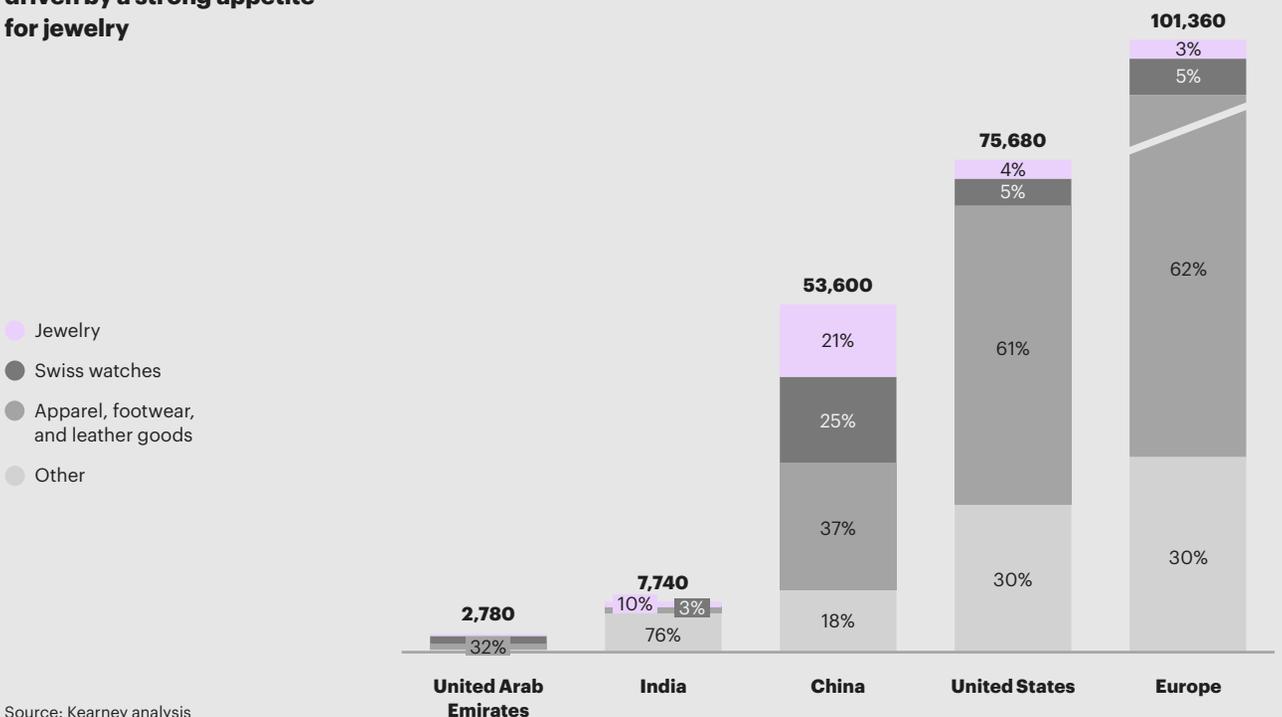
India's luxury market is already sizable with revenues of \$7.74 billion in 2023 and projected to approach \$12 billion by 2028—a growth rate that will outpace other major luxury markets around the world. If these figures materialize, India's affluent consumers could become a significant driver of growth for the global luxury market.

In 2023, luxury fashion (apparel, footwear, and leather goods) made up 11 percent of the Indian market, which is still far below other international luxury markets (see figure 2). Meanwhile, jewelry accounted for more than 10 percent of spending, surpassing the relative levels of spending seen in the United States and Europe. However, there is an underspending on Swiss watches, which only made up around 3 percent of luxury spending in India, compared with 5 percent or more in other markets.

India's market for Swiss watches is predicted to outperform all other categories, growing at an 18 percent CAGR—an increase of \$0.5 billion over five years (see figure 3 on page 3). This projection is attributed in part to a new trade deal with the European Free Trade Association that will reduce customs duties on Swiss watches to zero over seven years. This should boost demand and put India in the top 10 global markets for Swiss watches within a decade. Other categories boosting market compound growth include luxury beauty, fragrances, and hospitality.

Figure 2
India's luxury market is driven by a strong appetite for jewelry

Size of luxury market and share of select product categories (\$ million, 2023)



Source: Kearney analysis

Figure 3

India's Swiss watch market growth is expected to outperform all other categories

	Jewelry	Swiss watches	Apparel, footwear, and leather goods	Other	Total market
Projected luxury market growth in 2023–2028 (\$ billion)	0.2	0.3	0.3	2.8	3.6
Projected luxury market size in 2028 (\$ billion)	1.0	0.5	1.1	8.7	11.3
Projected CAGR, 2023–2028	6%	18%	7%	9%	9%

Source: Kearney analysis

Five purchasing themes in Indian luxury purchasing

Indian consumers of luxury fashion and accessories are diverse and multifaceted. Even so, five themes characterize their purchasing behaviors:

Cultural significance of craftsmanship and rich colors. Luxury consumers in India are motivated by a combination of deep cultural roots, craftsmanship, and rich colors, reflecting their cultural heritage and artistic traditions. These preferences are especially strong in segments such as jewelry and fashion, where intricate designs and vibrant hues are seen as symbols of status and refinement.

Purchases tied to significant life events. Luxury purchases in India are often tied to major life events, such as weddings and festivals. These occasions drive peak spending, with consumers seeking opulent and finely crafted items that reflect their cultural values and personal success.

Balanced approach to local and international shopping. Indian consumers are now purchasing luxury items within the country almost as often as they shop abroad. While Dubai, Singapore, and Switzerland remain top destinations for international shopping thanks to their tax benefits and exclusive product availability, domestic purchases in cities such as Mumbai and Delhi are rising as luxury brands increase their local presence, especially in jewelry and fashion.

Rising importance of digital platforms. More Indian consumers are using digital platforms for inspiration and online purchases of luxury fashion, valuing the convenience and variety offered by e-commerce. This shift is especially noticeable among younger consumers, who are increasingly driving demand for luxury products online. Upcoming digital platforms play a central role, offering a wide range of premium products and leveraging influencer-led content to engage especially with younger buyers. Despite this shift, physical stores are still crucial for high-end purchases, providing personalized service and a tactile shopping experience. Brand boutiques are especially valued for their immersive experience, even as digital channels gain prominence.

Jewelry and watches are preferred for splurges. Jewelry and watches are Indian consumers' favorite luxury segments, and their popularity has grown as displays of affluence are becoming more accepted. High-profile events are a testament to this development.

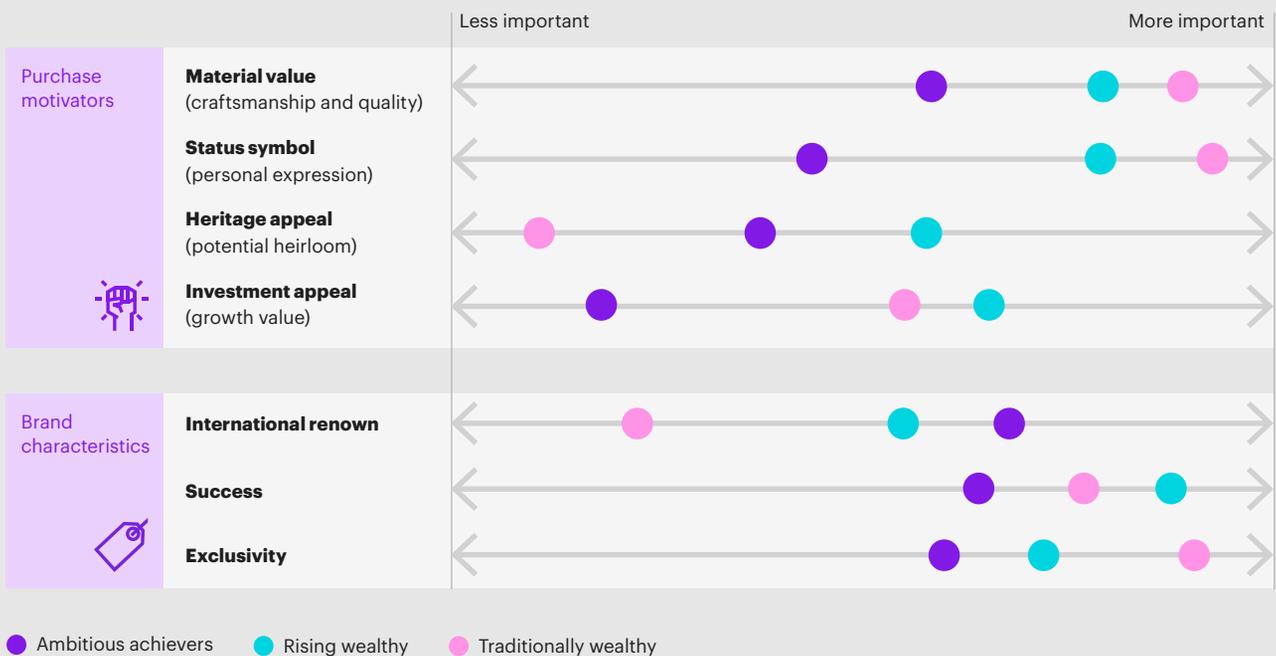
Three segments of luxury consumers

Although there are some commonalities among Indian luxury consumers, they can be broadly divided into three segments. For each segment, unique characteristics, preferences, and motivations are driving consumers' luxury purchases (see figure 4):

Traditionally wealthy (40 percent of the addressable market in 2023)

These consumers were born into wealth, have annual incomes of between \$90,000 and \$700,000, and have family wealth of more than \$6 million. For them, luxury is a lifestyle, and they often take shopping trips abroad to places such as Singapore, Dubai, and Switzerland to access the latest luxury trends.

Figure 4
A variety of factors are fueling purchasing decisions for Indian consumers



Source: Kearney consumer survey, n = 986

Three overarching factors influence their purchasing decisions:

Personalization and style. This segment seeks unique jewelry and watches to set them apart from other luxury buyers, opting for personalized, eclectic designs featuring precious materials. Their wealth also allows them to be very discerning about fashion, seeking items that reflect their unique tastes and distinguish them from their peers. In contrast to “logomania,” they prefer fashion that is subtle and refined, valuing “quiet luxury” that speaks of exclusivity without flashy branding.

Service and trust. For this segment, luxury brands foster a sense of belonging to an elite community of luxury enthusiasts, which is strengthened by high-end service both before and after the sale. They prefer to shop at trusted dealers and expect high-quality sales assistance and expert consultancy, especially for items seen as investments.

Investment value. Luxury items must have the potential to grow in value over the long term, making them not only personal treasures but also smart financial investments. Because the traditionally wealthy are inclined to purchase precious materials such as gold and gemstones and to seek out exclusive and limited-edition pieces, their purchases often have a natural tendency to appreciate.

Rising wealthy (37 percent of the addressable market in 2023)

These consumers have lifted themselves into the wealth category through hard work and determination. For them, luxury purchases are a reward for their success rather than a birthright. Their annual income is typically between \$70,000 and \$180,000 (the top 2 percent of annual incomes in India), with family wealth above \$1 million.

Three overarching factors influence their purchasing decisions:

Status and social validation. Their purchases are deeply symbolic, and they prioritize well-known brands that signal success, prestige, and innovation. Their purchases help solidify their standing within their professional and personal networks.

Investment focus. They prioritize luxury items with long-term investment value, especially those made from precious materials with timeless designs. For them, the financial return of luxury items is just as important as their symbolic value. These items also hold sentimental value as heirlooms, particularly watches, which are viewed as symbols of success, part of a legacy to be passed down to future generations. Further, this segment’s strong interest in vintage luxury reflects their preference for timeless investments and the added assurance of authenticity.

Budget conscious. They can afford making regular luxury purchases, but they still set budgets. They don’t buy on impulse but only after careful consideration, ensuring each purchase offers both social and financial returns.

Ambitious achievers (23 percent of the addressable market in 2023)

These consumers are highly motivated to pursue and showcase social advancement. Their annual income is between \$30,000 and \$70,000, and their family wealth is above \$500,000.

Three overarching factors influence their purchasing decisions:

Aspirational motivation for social advancement. For these consumers, luxury goods are a means of personal transformation, enabling individuals to align with an aspirational identity of higher status. Their purchases reflect an intrinsic desire to experience the lifestyle associated with affluent or elite circles and to be recognized within more affluent or elite social circles.

Social validation. They select luxury brands that are internationally recognized and visibly branded. The primary motivation here is to signal to their peers their ability to afford high-status goods and to reinforce their perceived social standing.

Quality and value. They prioritize luxury items that offer superior craftsmanship, durability, and long-term utility, ensuring their purchases deliver both status and lasting value. They are careful, conscious spenders.

Seizing the opportunity

To succeed in this historically complex but promising market, luxury brands must be attuned to the preferences and behaviors of Indian consumers while also understanding the unique dynamics shaping the Indian luxury landscape. This market is evolving, with three long-standing barriers to entry now falling, creating fresh opportunities for global brands.

Navigating regulatory and tax complexities

India's tax regime presents challenges for luxury brands, with a 28 percent goods and services tax (GST) applied to luxury items and select non-essential services. Additional high import duties on luxury products, such as watch imports from Switzerland, are taxed at 20 percent. Reforms are gradually taking place, such as the new free trade agreement between India along with the European Free Trade Agreement, signed in March 2024, which will reduce import duties significantly over the next seven years. However, international firms still face some regulatory hurdles.

In response, some brands are opting for local partnerships to facilitate market entry. For example, French luxury department store Galeries Lafayette collaborated with Aditya Birla Fashion and Retail Limited (ABFRL) to establish flagship locations in Mumbai and Delhi. Likewise, Pernod Ricard, a global leader in wines and spirits, launched its first premium Indian single-malt whisky through a fully owned subsidiary.

Transforming infrastructure for luxury retail

With government investments in various initiatives to improve logistics flows, such as dedicated freight corridors, India's organized retail sector is expected to grow at 12 to 15 percent CAGR to reach \$ 220 billion in 2025 (including non-luxury). In parallel, regulatory reforms in land and retail are unlocking prime real estate for luxury retail. However, luxury brands still face logistical challenges, particularly the limited availability of high-quality malls in tier-two and tier-three cities, which has restricted expansion. While infrastructure is improving, significant investment is still needed to ensure seamless consumer experiences.

Despite these challenges, the landscape is changing. The opening of new luxury shopping destinations—such as Jio World Plaza in Mumbai, home to brands including Balenciaga, Bulgari, Tod's, and Tiffany & Co., as well as the Phoenix Palladium mall, featuring Tissot, Franck Muller, and Omega—signals the emergence of luxury retail hubs. These developments are paving the way for a broader luxury presence in India, complementing the rise of e-commerce platforms that make luxury goods more accessible across the country, even in cities with limited physical retail options.

Building consumer trust and authenticity

The prevalence of counterfeit luxury products has historically undermined consumer confidence in the authenticity of premium goods. To address this, brands entering the Indian market must focus on fostering trust by opening branded stores and establishing secure online platforms. Connecting authentically with Indian tastes and cultural values is key. Brands should invest in educating consumers on identifying genuine products while building relationships through local partnerships and influencers. Above all, offering an exceptional consumer experience—both in store and online—through personalized services, exclusive offers, and loyalty programs can strengthen brand authenticity.

Appealing to the Indian luxury consumer

As these barriers diminish or fall away completely, more global brands will connect with Indian consumers, blending local cultural elements with their core brand identities. For example, Hermès has infused its stores with vibrant colors and artisanal details that resonate with Indian aesthetics, while Dior showcased hand-embroidery from Mumbai's Chanakya atelier at its show in the fall of 2023, celebrating Indian craftsmanship.

Jewelry offers another avenue for cultural alignment. For example, in 2017, De Beers Group's diamond brand Forevermark collaborated with Indian designer Sabyasachi Mukherjee on a collection that fuses Bengal craftsmanship with Italian design traditions.

Other brands are looking to make inroads by tapping into the more modern passion of Bollywood. For example, actress and 2017 Miss World Manushi Chhillar was named the face of Estée Lauder India in 2022, and soon after, Gucci appointed Alia Bhatt, one of India's highest paid actresses, as its first Indian global brand ambassador. In 2023, Hindi movie actor and fashion icon Ranveer Singh attended the unveiling of Tiffany & Co.'s flagship store in New York as a "friend of the house."

As India's affluent consumer base expands and the market continues to open, luxury brands have a unique opportunity to capitalize on this growth.

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